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(213) 974-1411

December 5, 2003

The Honorable Greg Aghazarian
California State Assembly
State Capitol, Room 2130
Sacramento, CA 95814

Dear Assembly Member Aghazarian:

WORKERS' COMPENSATION

We are writing to thank you for the workers' compensation reforms enacted last session, and to urge your support for additional actions to reduce spiraling costs in Los Angeles County. From 1997-98 to 2002-03, the County's total annual workers' compensation costs increased nearly 100 percent from \$148 million to \$293 million.

Earlier this year, we supported a series of reform measures that, if adopted, would have provided the County with savings or cost avoidance of \$60 million annually. The enactment of AB 227 (Vargas) and SB 228 (Alarcon) will provide the County with roughly \$25 million of these savings. These savings are independent of the effects of AB 749 (Calderon), enacted in 2002, which increases benefits and is estimated to result in a \$50 million annual increase in the County's workers' compensation costs.

Clearly, additional legislative action is critically needed to assist the County in containing workers' compensation costs, and we believe changes can be made without resulting in either a take-away or reduction in necessary and equitable benefits for legitimately injured employees. Among the additional key areas that need to be addressed are:

Improve Accountability and Administration

- Revise penalties for delay or denial of benefits to maintain substantial penalties for employers who continually fail to pay claims, and reduce or cap penalties for minor payment delays.

- Establish a one-year statute-of-limitations for filing penalty claims.
- Require physician diagnostic reports to address the contribution of pre-existing conditions when establishing permanent disability, and eliminate the employer's liability for prior non-work-related injuries or illnesses.
- Require use of the American Medical Association Disability Guidelines to promote a more objective system to determine permanent disability.
- Require that the burden-of-proof and the standard for determining job-relatedness in cumulative trauma injuries use the same standard as currently exists for psychiatric injuries.

Align the Public and Private Sectors

- Allow all employers to use an alternate dispute resolution system to resolve workers' compensation claims with involvement with applicable unions in the development of an ADR process.
- Include the public sector in the return-to-work incentive program.
- Prohibit any new or expanded presumptions in the public sector.
- Prohibit expansion or increases in eligibility for tax free, full salary benefits (Labor Code Section 4850) in lieu of temporary disability benefits in the public sector.

Promote Prudent Use of Health Care

- Establish an independent medical review process with physicians trained in occupational medicine to resolve treatment issues.
- Establish a physician certification program for physicians treating workers' compensation cases.
- Completely repeal the treating physician presumption of correctness.
- Allow employers to develop high quality networks of health care plans and providers to treat injured workers.

Additionally, the County is urging the following corrective actions with respect to AB 749.

Corrective Actions to AB 749

- Correct the minimum temporary disability rate problem that results in persons receiving more money while disabled than when they return to work.
- Repeal Labor Code Section 4702(a)(6) pertaining to a worker who dies without dependents that provides for payments to be made to the decedent's estate rather than to the State.

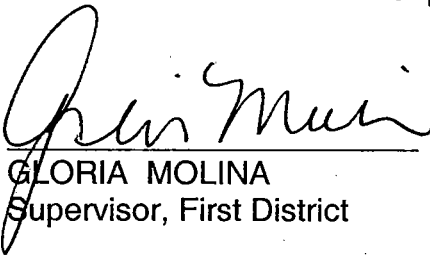
The Honorable Greg Aghazarian
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Thank you for your attention, and we urge that any reform measures be effective immediately.

Sincerely,



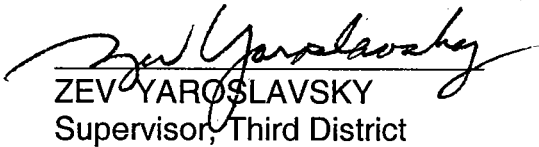
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Chairman of the Board
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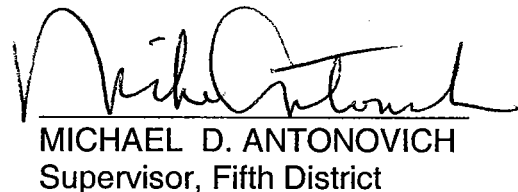
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Workers' Compensation Letter
California State Legislature
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